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**Before the**
**FEDERAL COMMUNICATIONS COMMISSION**
**Washington, D.C. 20554**

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| In the Matter of | ) | |
| | ) | |
| Tariffs Implementing | ) | |
| Access Charge Reform | ) | CC Docket No. 97-250 |
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# REBUTTAL TO COMMENTS ON BELL ATLANTIC DIRECT CASE


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# REBUTTAL TO COMMENTS ON BELL ATLANTIC[1] DIRECT CASE

## I. Introduction and Summary

As Bell Atlantic demonstrated in its Direct Case, the tariffs filed by Bell Atlantic reasonably implemented the massive changes to its interstate rates that were required by the Access Charge Reform Order, and did so in a manner consistent with all applicable Commission rules. Only two parties commented on that showing – the two largest long distance carriers who would benefit most from any further reductions in per minute rates at the expense of end users. Neither commenter, however, presents any substantial criticisms that warrant further action by the Commission. As such, this investigation should be terminated and the current rates allowed to remain in effect.

As an initial matter, it bears noting that not even AT&T or MCI took issue with the showing made by Bell Atlantic on several of the issues designated for investigation. In particular, they do not criticize the way that Bell Atlantic removed Signaling System 7

[1]The Bell Atlantic telephone companies ("Bell Atlantic") are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; Bell Atlantic-West Virginia, Inc.; New York Telephone Company; and New England Telephone and Telegraph Company.

("SS7") costs from the transport interconnection charge, reduced the transport interconnection charge by repricing tandem switched transport rates based on actual minutes of use that were lower than the assumed 9,000 minutes, or distributed universal service costs among price cap baskets and service categories using Tariff Review Plan data.[2] As to these issues, therefore, no further inquiry is needed.

Moreover, with respect to the few issues where AT&T or MCI do challenge the showing made by Bell Atlantic, their claims largely consist either of complaints that the Commission has not prescribed a uniform rule to be followed by all, or complaints that the Commission should adopt rule changes here to produce the result they desire. Neither is a valid complaint in the context of a tariff investigation, however. And in the few instances where AT&T (and AT&T alone) presents data of its own in an effort to challenge the detailed calculations made by Bell Atlantic, either the underlying data or the calculations it relies upon are demonstrably wrong. As such, based upon the exhaustive showing contained in Bell Atlantic's direct case, the current rates should be allowed to remain in effect.

At a minimum, however, if the Commission requires Bell Atlantic to change its tariffs as a result of this investigation, it should require only prospective changes, or permit offsetting adjustments to the extent any adjustments are applied retroactively. The Access Charge Reform Order required massive changes in rates, under dozens of new

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[2] While AT&T and MCI agree with Bell Atlantic's use of base year end user revenues in the Tariff Review Plan to distribute universal service contributions among baskets, they want the Commission to "further refine" its rules to require the carriers to use current revenues. AT&T at 31-32; MCI at 17. However, use of base year revenues is more consistent with the "R" values used in the calculation of price cap indices and with how other exogenous adjustments are allocated among baskets.

rules that often left room for varying interpretations as to the exact method of implementation. Bell Atlantic has implemented the requirements of that order by applying interpretations of the new rules that it believes are correct, and in any event are reasonable. As a result, even if the Bureau concludes in one or more instances that that another interpretation is preferable, Bell Atlantic should not be penalized for failing to predict how an issue would ultimately be resolved.

## II. Bell Atlantic Correctly Estimated Demand For Non-Primary Lines Based On A Reasonable Definition.

AT&T and MCI again repeat their claims that Bell Atlantic and other local exchange carriers have underestimated the percentages of non-primary lines that they serve and, as a result, have reduced their per minute access rates by less than the long distance carriers would like. AT&T at 2-7; MCI at 2-4. The comments make clear, however, that their real beef is with the way the local exchange carriers defined what qualifies as a non-primary line, and not with the way the definitions were applied or with the billing data provided by the local exchange carriers. But the simple fact is that, in the absence of Commission rules, the local exchange carriers had no choice but to define what qualify as non-primary lines themselves. And so long as the definition used is reasonable, and the definition used by Bell Atlantic is eminently so, that is the end of the matter for purposes of this tariff investigation.

The long distance carriers begin with the rather obvious observation that carriers who defined non-primary lines as additional lines at the same billing address (a "service address" definition) reported higher percentages of non-primary lines than those who defined non-primary lines as additional lines at the same address that also are billed to the same customer name or customer account (a "billing name/account" definition). As a result, they urge the Commission to use its order in this tariff investigation to prescribe a uniform non-primary line definition, and to do so based on the number of additional lines per service address. MCI at 4; ***see also*** AT&T at 5-6. This the Commission may not do. The Commission may not adopt a rule of general applicability without publishing notice in the Federal Register. ***See*** 5 U.S.C. § 553(b). And while the Commission now has such a separate proceeding underway to adopt such a rule, *see* ***Defining Primary Lines***, 12 FCC Rcd 13647, ¶ 1 (1997), any definition adopted in that proceeding can be applied prospectively only. It cannot be used to order refunds or other retroactive rate adjustments where local exchange carriers adopted reasonable definitions prior to the rule's effective date.[3]

Indeed, the Commission itself recognizes that the only issue in this tariff investigation is whether Bell Atlantic's definition of non-primary lines is reasonable pending the adoption of a new rule in the separate rulemaking proceeding. ***See*** Designation Order, DA 98-151, ¶ 17 (rel. Jan. 28, 1998). As Bell Atlantic demonstrated in its Direct Case and in its comments in the rulemaking, the billing name/account definition it used here is not only eminently reasonable, but is vastly preferable for several reasons. ***See*** Direct Case, Att. A, pp. 1-3.

[3] Because any attempt to apply the new rules in this manner would "increase a party's liability for past conduct" and would "impose new duties with respect to transactions already completed," it would constitute impermissible retroactive rulemaking. ***Landgraf v. USI Film Prods.***, 511 U.S. 244, 280 (1994); *see also* ***Association of Accredited Cosmetology Schools v. Alexander***, 979 F. 2d 859, 864 (D.C. Cir. 1992).

To cite just one example, Bell Atlantic's customers have long ordered additional lines at particular addresses in different billing names for perfectly legitimate reasons, such as the fact that they share the address with a tenant or a relative who is living with them but needs a separate line and separate account. The billing name/account definition used by Bell Atlantic is the only definition that takes this fact into account, and the only definition that will keep local exchange carriers and this Commission from becoming entangled in disputes over customers' private living arrangements in an effort to determine which line at an address is the "primary" line.

The only answer that the long distance carriers have is to speculate that the billing name/account definition used by Bell Atlantic might be "susceptible to subscriber manipulation" through the use of multiple billing names or accounts. AT&T at 5-6.[4] As an initial matter, it is not manipulation for a customer signing up for new service to expect separate treatment from other customers that may live in the same location. Bell Atlantic's definition allows its customers to continue ordering services in their own names without being affected by the rates paid by other customers.

In addition, the long distance carriers simply ignore both the significant benefits of a billing name/account definition and the significant problems with the billing address definition that they propose. For example, a billing address definition would *create* the very problems that Bell Atlantic's definition avoids: it would force Bell Atlantic, and

[4] AT&T and MCI also argue that the Commission should eliminate the distinction between primary and non-primary lines due to the significant cost and administrative burdens of the two-tiered rate structure. AT&T at 4; MCI at 2. On this score they are right. But while Bell Atlantic agrees with the long distance carriers on this score, it too is an issue that must be addressed in the context of a rulemaking proceeding.

ultimately this Commission, to become the arbiter of disputes with customers over which lines at a particular billing address are primary and which lines are non-primary. Consequently, the definition use by Bell Atlantic is not only reasonable, but it is preferable.

Finally, AT&T raises two questions about the detailed line count data used in Bell Atlantic's tariff. AT&T at 6-7. First, AT&T points out a minor difference between the number of primary residential and single line business lines between Bell Atlantic's Direct Case and its December 17, 1997 tariff filing. This resulted from a mathematical error in compiling the Direct Case. The correct number, as reported in the Tariff Review Plan, is 266,155,550.[5] As is shown in Exhibit 1 hereto, this includes 254,715,808 primary residence lines and 11,439,742 single line business lines. Second, AT&T points out that Bell Atlantic did not include Lifeline end user common line charges in the count of primary lines. It was not clear from the Designation Order that this was required, but again the correct numbers are included in the Tariff Review Plan.[6]

## III. There Is No Basis For AT&T's Claims That Bell Atlantic's Carrier Common Line Charges Are Overstated Due To Past Differences Between Forecasts Of Base Factor Portion Costs And Actual Data.

AT&T claims that Bell Atlantic has overstated its carrier common line charges by $11.5 million in the current tariffs because of differences in prior years between its forecasts of the so-called base factor portion costs and actual year end data. AT&T at 9-

[5] ***See*** Tariff Review Plan, Form RTE-1, page 1, line 110 and Form CAP-1, page 1, line 100.

13, Exh. CCL 1, pp. 2-3, Exh. CCL 2. It is wrong for two reasons. First, the current rules do not require a true-up between forecasts of base factor portion costs and year end actuals, and the new rule that AT&T proposes here can only be considered in the context of a rulemaking proceeding. Second, even a cursory review of AT&T's comments reveals that the so-called recalculation methodology on which it relies, as well as its calculations themselves, are so riddled with errors that they cannot provide a reasoned basis for any changes to Bell Atlantic's common line charges in the current tariff.

To begin with, Bell Atlantic previously demonstrated that AT&T's recalculation methodology fails to accurately incorporate the effect of tariff changes that occur between the annual access tariff filings. ***See*** Bell Atlantic Direct Case, Att. B, pp. 5-7. Taking just a single year as an example, including the effect of each mid-year tariff filing for Bell Atlantic - South between the 1996 and 1997 annual filings reduced the supposed effect on the current carrier common line charge to $0.8 million from $2.7 million. ***See*** Bell Atlantic Direct Case, Att. B, Exh. B-2, p. 1e. This high degree of sensitivity to mid-year filings totally undercuts AT&T's estimate of the effect on current carrier common line rates due to past differences between forecast and actual base factor portion costs. Because AT&T has not included the effects of any mid-year tariff filings from 1991 to the present, its recalculation of carrier common line is completely inaccurate. AT&T does not deny this fact.

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[6] ***See*** Tariff Review Plan, Form RTE-1, page 1, line 120 and Form CAP-1, page 1, line 140. If these lines were included in the Direct Case as primary lines, the total would be 278,654,379.

AT&T argues that Bell Atlantic miscalculated the carry-forward effect on carrier common line charges under AT&T's methodology. AT&T at 11-12. However, AT&T's own mistakes provide further evidence that its methodology is unreliable and error-prone.

First, AT&T agrees with the way that Bell Atlantic applied its methodology, but it claims that Bell Atlantic miscalculated the 1992 carrier common line cap by making a mathematical error on one line in Bell Atlantic - North Exhibit B1 for the 1992 tariff year. ***See*** AT&T at 11, n.21. AT&T claims that this alleged error had a "ripple effect" on the calculations for subsequent years, causing the 1997-98 carrier common line charge to be overstated by $4.2 million.

In fact, the "error" was AT&T's. As is shown in the tables below, the only difference between AT&T's calculations and Bell Atlantic's is that AT&T added $31.5 million in "other" interstate revenues to develop the amount of base year demand times proposed subscriber line charges, for a total of $737,314,389, while Bell Atlantic included only $29.9 million of "other" revenues to develop a total of $735,633,697.[7]

[7] See AT&T at 11, n.21; Exhibit CCL3, p. 1, line 340.

**AT&T Recalculation Of Bell Atlantic - North 1992 Proposed Revenues**

| Rate Element | Demand | Proposed Rate | Proposed Revenues |
|---|---|---|---|
| Multi-line | 43,977,483 | 5.420141 | 238,364,159 |
| Res & SLB | 125,343,198 | 3.500000 | 438,701,193 |
| Lifeline | 6,818,125 | 3.500000 | 23,863,438 |
| Spec Access | 193,664 | 25.000000 | 4,841,600 |
| Other | | | 31,544,000 |
| | | | 737,314,390 |

**Bell Atlantic - North Recalculation Of 1992 Proposed Revenues**

| Rate Element | Demand | Proposed Rate | Proposed Revenues |
|---|---|---|---|
| Multi-line | 43,977,483 | 5.420141 | 238,364,159 |
| Res & SLB | 125,343,198 | 3.500000 | 438,701,193 |
| Lifeline | 6,818,125 | 3.500000 | 23,863,438 |
| Spec Access | 193,664 | 25.000000 | 4,841,600 |
| Other | | | 29,863,320 |
| | | | 735,633,697 |

AT&T's calculation is incorrect because "other" revenues consists of the New York State Gross Income Tax. When AT&T calculated the amount of proposed common line revenues from subscriber line charges and Special Access surcharges in line 340 of Exhibit CCL3, it simply added $31.5 million of Gross Income Tax that Bell Atlantic showed as existing Gross Income Tax revenues in the 1992 Annual Access Tariff Filing. This amount should have been adjusted to account for legislative changes in the New York Gross Income Tax rate that became effective in 1992. In the 1992 Annual Access Tariff Filing, NYNEX made an exogenous reduction of $1,680, 680 to reflect the reduced Gross Income Tax Rate.[8] Without this mistake, AT&T's numbers would be the

[8] *See* NYNEX Telephone Companies Transmittal No. 89, filed April 20, 1992, Description and Justification, pp. 4-6, 41, Appendix B, Workpaper C.L.; Appendix E, Workpapers NY TAX, GIT1, GIT2 and GIT3.

same as Bell Atlantic's. For this reason, there is no error in Bell Atlantic's 1992 data, and no "ripple effect" on the carrier common line revenues in later years.

Second, AT&T claims that Bell Atlantic - South made an error by using the wrong end user common line rates and by failing to carry forward the correct end user common line rates into the carrier common line recalculations for the following year. ***See*** AT&T at 11-12; Exhibit CCL 4, pp. 1-6. According to AT&T, this resulted in a $6.8 million overcharge in the 1997-98 tariff year.

Again, it is AT&T who made the error. Because Bell Atlantic - South applies end user common line charges by study area, AT&T used composite end user common line rates in its calculations. However, as the starting point in a given tariff year, AT&T used a composite rate from the previous tariff filing, which reflects current (t-1) rates times the base period demand in the previous tariff filing, rather than a composite rate using current rates times the new base period demand, to compute the maximum common line revenues at current rates as required by Section 61.46(d)(1) of the Commission's rules.[9] In other words, AT&T is using two year old demand data to develop a composite end user common line charge in each annual access tariff filing to compute the maximum common line revenues at current rates. By making this error every year, AT&T produces a completely inaccurate carry-forward effect for the 1998 rates.

Errors such as these are inevitable given the extreme complexity of AT&T's carrier common line recalculation methodology. The sensitivity of the results to such

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[9] This can be seen, for example, in AT&T Exhibit CCL4, page 1, column (B), line 220, where AT&T uses a current rate of $4.23659 for the 1992 tariff, which is actually the composite rate for the 1991 tariff year based on <u>1990</u> demand as shown in Bell Atlantic's Direct Case, Bell Atlantic - South Exhibit B1, page 1a.

errors, and to the failure to include mid-year tariff filings, makes it unreasonable to use the AT&T approach as a basis for any adjustments to current carrier common line charges, or as a basis for deciding that rates in previous years were too high.

## IV. The Commission Should Not Require The Local Exchange Carriers To Use Revenues To Project Base Factor Portion Costs.

AT&T and MCI agree with the Bureau's tentative conclusion that the local exchange carriers should use revenues, rather than Part 69 revenue requirements, to remove line and trunk port costs from the Local Switching basket, but they disagree with the Bureau's tentative finding that the carriers should continue to use Part 69 revenue requirements at an 11.25 percent rate of return to include line port costs in the Base Factor Portion and to set end user common line rates. AT&T at 13-21; MCI at 6-11. While Bell Atlantic recently filed tariff revisions to shift line and trunk port costs out of Local Switching based on revenues rather than revenue requirements to avoid a potential refund liability if the Bureau finalizes its tentative conclusions, Bell Atlantic continues to disagree with the contentions of AT&T and MCI that this methodology is required by the Access Charge Reform Order. Bell Atlantic also disagrees with the commenters that Base Factor Portion costs should be calculated with reference to revenues rather than Part 69 revenue requirements.

As Bell Atlantic and other carriers demonstrated, the Access Charge Reform Order consistently used the term "cost" in directing the carriers to remove port costs from the Local Switching basket. ***See*** Bell Atlantic Direct Case, Attachment C, pp. 1-4. AT&T makes the patently absurd argument that Part 69 revenue requirements are not costs because they "serve the same function as price cap basket and band revenues -- both represent maximum allowable revenues under their respective systems, and neither purports to be a measure of 'costs.'" AT&T at 17 (emphasis included). In fact, the Commission has always distinguished "costs" from "revenues." For example, Section 61.49(g) requires price cap carriers to use actual costs to set prices for new services, and Section 61.45(d) requires price cap carriers to make exogenous cost adjustments using Part 69 cost allocations. Indeed, the Commission explicitly modified Part 69 to require the local exchange carriers to assign line port costs to the common line category based on the portion of local switching investment, and associated expenses, associated with line ports. ***See*** 47 C.F.R. § 69.306(d).

However, assuming that the Bureau finalizes its tentative conclusion that the local exchange carriers should shift port costs from Local Switching based on a proportion of revenues in the Local Switching basket, the Bureau should adhere to its tentative conclusion that the local exchange carriers should continue to calculate the Base Factor Portion, including the costs associated with line ports, based on Part 69 revenue requirements at the 11.25 percent rate of return. Motivated by their desire to have end users bear more of these costs through increases in subscriber line rates, AT&T and MCI propose alternative methodologies for calculating the Base Factor Portion. AT&T proposes that the local exchange carriers shift line port costs to the common line category based on revenues in the Local Switching basket, and then divide those costs by the total number of loops to determine a per-line port rate. AT&T at 20-21. MCI proposes that the local exchange carriers assign sufficient line port investment to the common line category so that line port revenue requirements, when computed at the 11.25 percent rate of return, equal the exogenous cost change based on Local Switching revenues. Neither of these proposals is workable.

AT&T's proposal would essentially freeze the identification of the line port component of the Base Factor Portion based on the level of revenues shifted to common line in the 1998 access charge restructure tariff. This would contradict the price cap rule that the end user common line charge should be calculated each year with regard to a projection of base factor portion costs for the tariff year. *See* 47 C.F.R. § 69.152(b). It would also create an increasingly attenuated connection between end user common line charges and actual common line and line port costs in future annual access tariff filings. MCI's proposal would require an amendment of Section 69.306(d), and could potentially shift all switch investment to the common line category for companies with particularly high earnings in the Local Switching basket. Neither proposal could be adopted without a change in the Commission's price cap rules, which is beyond the scope of this investigation.

## V. Bell Atlantic Correctly Shifted Central Office Equipment Maintenance Costs And Marketing Costs.

In its comments, AT&T has taken its arguments concerning the amount of central office equipment maintenance and marketing costs that should have been removed from the transport interconnection charge to a new, higher level of confusion. Indeed, its entire case relies on its erroneous assumption that Bell Atlantic removed $20 million less from the transport interconnection charge than Bell Atlantic actually removed in the December 17, 1997 tariff filing. The Bureau should not be influenced by AT&T's unfounded and illogical arguments, and it should abandon its tentative conclusion that local exchange carriers should reallocate these costs changes to the transport interconnection charges as they existed on June 30, 1997. Designation Order, ¶ 68.

AT&T confuses the issue at the outset by stating that the local exchange carriers are using incorrect methodologies to reallocate these costs from the transport interconnection charge to other price cap baskets. AT&T at 22 (emphasis added). In the rest of its comments, AT&T shifts to a claim that the local exchange carriers have misallocated these cost within the transport interconnection charge element between the facilities-based portion and the non-facilities-based portion. Nowhere in the remainder of its comments does AT&T return to the contention that allocations at the basket level are incorrect.

AT&T then presents Exhibit COE, which allegedly shows that Bell Atlantic should have removed an additional $16 million of central office equipment and marketing costs from the transport interconnection charge by using the rates in effect on June 30, 1997. However, this exhibit has nothing to do with the amount of costs that should have been removed from the facilities-based portion of the transport interconnection charge. Rather, the exhibit takes the amount of costs that were removed from the Trunking Basket as a given, and reallocates these costs between the transport interconnection charge and other rate elements within the Trunking Basket based on revenues in that basket as of June 30, 1997. This exhibit has no relevance to the issue raised by the Bureau concerning the "reallocation costs ascribed to the facilities-based TIC." Designation Order, ¶ 68.

In addition, the exhibit is riddled with errors. First, Columns G and H are mislabeled, with titles reversed. That is, column G is really an estimate of the transport interconnection charge exogenous cost allocation based on June 30, 1997 revenue distributions, while column H is an estimate based on post-June 30, 1997 revenues. Second, column H, as a representation of the transport interconnection charge adjustments the local exchange carriers actually took, is just an estimate quickly constructed by AT&T based on incorrect information. That is, AT&T calculated the adjustments that it <u>thinks</u> the carriers took by multiplying the total trunking basket adjustment by the proportion of transport interconnection charge revenues to total trunking basket revenues post-June 30, 1997. The calculation is faulty in two regards. First, the same percentage cannot be used for both central office equipment maintenance and marketing, as Bell Atlantic reallocated central office equipment maintenance costs from all service categories based on total revenues, while Bell Atlantic removed marketing costs from each service category based on the percent of switched revenues in that category.[10] Second, and more egregious, is the fact that AT&T did not use the numbers displayed by the local exchange carriers in their Direct Cases. For instance, AT&T estimated that Bell Atlantic - South reduced the transport interconnection charge by $22.134 million, even though the Direct Case showed that the actual reduction was $27.845 million. AT&T estimated that Bell Atlantic - North reduced the transport interconnection charge by $41.073 million, even though the Direct Case showed that the actual reduction was $55.313 million. For Bell Atlantic alone, AT&T has misrepresented

[10] Obviously, AT&T is aware of this distinction, because they mentioned it in footnote 40.

the actual filed numbers by almost $20 million. Because of these errors, AT&T claims that Bell Atlantic should have taken $79 million out of the transport interconnection charge, when Bell Atlantic actually removed over $83 million. Obviously, AT&T's exhibit provides absolutely no support for its contention that Bell Atlantic did not remove enough central office equipment maintenance and marketing costs from the transport interconnection charge.

In addition, AT&T says nothing at all to rebut the arguments that Bell Atlantic made in its Direct Case as to why the Commission should not require Bell Atlantic to reallocate these cost changes to the transport interconnection charge as it existed on June 30, 1997. In its Direct Case, Bell Atlantic explained that its method for removing these costs from the facilities-based portion of the transport interconnection charge had nothing to do with the overall level of transport interconnection charge revenues before or after July 1, 1997. ***See*** Bell Atlantic Direct Case, Attachment E, at 6-8. Rather, Bell Atlantic removed these costs from each facilities-based component based on an analysis of revenue requirements for those elements adjusted for the change in rules for allocating central office equipment maintenance and marketing costs. Therefore, the amount of costs Bell Atlantic removed from the facilities-based components was independent of the total amount of revenues in the transport interconnection charge at any point in time.

Tellingly, AT&T does not dispute these facts. AT&T also agrees with the methodologies that Bell Atlantic used to allocate the exogenous adjustments for central office equipment maintenance and marketing costs to service bands within the Trunking Basket. AT&T at 23, n.40. AT&T's own exhibit shows that nothing would be gained by requiring Bell Atlantic to reallocate exogenous cost adjustments based on the transport interconnection charge as it existed on June 30, 1997. The Bureau should require no change in Bell Atlantic's reallocation of these costs.

## VI. The Bureau Should Not Require Bell Atlantic To Recalculate Its Tandem Switched Transport Rates.

In its Direct Case, Bell Atlantic demonstrated that it properly recalculated its tandem switched transport rates using actual average monthly usage per minute, per trunk, rather than the assumed 9,000 minutes of use per trunk, and that this resulted in a reduction in the transport interconnection charge, just as the Commission anticipated in the Access Charge Reform Order. ***See*** Bell Atlantic Direct Case, Attachment F. Bell Atlantic also demonstrated that the results would not be appreciably different under the Bureau's proposal to reprice tandem switched transport rates using the DS1 and DS3 rates and demand in effect in 1993, when the tandem switched transport rates were first established, rather than using current rates and demand. ***See*** *id.*, p. 4.

While neither AT&T nor MCI ask the Commission to require Bell Atlantic to revise its tandem-switched transport rates,[11] AT&T submitted an exhibit which purports to show that Bell Atlantic should have reduced its transport interconnection charge by an additional $4 million as a result of the repricing of tandem switched transport using 1993 rates and demand.[12] There is no way of determining the cause of this discrepancy, since

[11] ***See*** AT&T at 25; MCI at 15.

[12] ***See*** AT&T, Exhibit 9000_MOU. AT&T calculates that Bell Atlantic should reduce its transport interconnection charge by a total of approximately $11 million using actual minutes of use and 1993 rates and demand, as compared to the $7 million reduction that Bell Atlantic made in the December 17, 1997 filing using actual minutes of use and base year rates and demand. In Attachment F of its Direct Case, Bell Atlantic calculated that

AT&T provided none of the underlying calculations, and since it did not list the 1993 rates or demand that it assumed. In addition, AT&T's exhibit is inconsistent with its recognition that Bell Atlantic's results are "what would be expected" given that Bell Atlantic's DS1 and DS3 rates and demand have not changed as much as they have for other carriers. AT&T at 25, n.43.

Exhibit 2 attached hereto shows the rates and demand that Bell Atlantic used in its calculations using the Bureau's proposed methodology. These exhibits show that the net difference is negligible. Moreover, the Bureau's methodology would actually <u>increase</u> Bell Atlantic's transport interconnection charge in Bell Atlantic - South. For these reasons, the Bureau should not require Bell Atlantic to revise its tandem-switched transport rates.[13]

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the transport interconnection charge would have been reduced only by an additional $0.2 million if it had used 1993 rates and demand.

[13] MCI argues that carriers who applied actual 1996 circuit usage in excess of 9,000 minutes of use should be required to recalculate their tandem switched transport rates using their actual 1993 usage. MCI at 15. This does not apply to Bell Atlantic, which had 1996 usage levels well below 9,000 minutes. ***See*** Bell Atlantic Direct Case, Attachment F, p. 2. In any event, as Bell Atlantic explained, it does not have actual 1993 usage data. MCI also argues that carriers who do not have actual 1993 data should use the circuit loading figures they provided to the Commission in the access charge reform proceeding. Bell Atlantic provided no such data to the Commission.

## VII. Conclusion

The comments do not present any basis for changing Bell Atlantic's access reform tariffs. If the Commission changes the rules or methodologies applicable to those tariffs, it should do so through rulemaking, which may only be effective on a prospective basis.

Respectfully submitted,

By: ______________________


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Dated: March 23, 1998

| | BA-North | BA-South | BA-Total |
|---|---|---|---|
| | | | |
| Primary Res | 114,665,434 | 140,050,374 | 254,715,808 |
| Lifeline | 11,982,847 | 515,982 | 12,498,829 |
| SLB | 6,903,934 | 4,535,808 | 11,439,742 |
| Total | 133,552,215 | 145,102,164 | 278,654,379 |

| | | (A) | (B) | (C)=(B)-(A) | (D) | (E)=(C)x(D) | (F) | (G)=(E)/(F) | (H) | (I)=(G)x(H) | (J) | (K)=(I)-(J) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Exogenous | TIC Revenue | % TIC Exog. | TIC Revenue | FCC Exog. | 1/1/98 Exog. | Incremental |
| | | LTR Filing | Revised | Delta | Demand* | in TIC | in LTR Filing | using 9000 | 6/30/97 | Calculation | TIC Reduction | Exogenous ** |
| acility Capacity | | | | | | | | | | | | |
| | DS0 MOU/Month | 9,000 | 7,037 | | | | | | | | | |
| =Ax24 | DS1 MOU/Month | 216,000 | 168,888 | | | | | | | | | |
| =Ax672 | DS3 MOU/Month | 6,048,000 | 4,728,864 | | | | | | | | | |
| istribution of Interoffice Facilities | | | | | | | | | | | | |
| D | % Fiber | 80.2% | 80.2% | | | | | | | | | |
| E | % Copper | 19.8% | 19.8% | | | | | | | | | |
| Fixed Rate Development | | | | | | | | | | | | |
| F | DS3 CM Fixed | $1,110.19 | $1,110.19 | | | | | | | | | |
| G | DS3/1 Mux | $1,336.97 | $1,336.97 | | | | | | | | | |
| H=F+G | DS3 Total | $2,447.16 | $2,447.16 | | | | | | | | | |
| I | DS1 CM Fixed | $90.66 | $90.66 | | | | | | | | | |
| J=H/CxD+I/BxE | Weighted Fixed Rate | $0.000408 | $0.000521 | $0.000114 | 9,149,014,669 | $1,040,303 | | | | | $614,047 | |
| Variable Rate Development | | | | | | | | | | | | |
| K | DS3 CM Variable | $101.22 | $101.22 | | | | | | | | | |
| L | DS1 CM Variable | $25.79 | $25.79 | | | | | | | | | |
| M=K/CxD+L/BxE | Weighted Variable Rate | $0.000037 | $0.000047 | $0.000010 | 199,294,076,412 | $2,062,239 | | | | | ($500,733) | |
| Total | | | | | | $3,102,541 | $562,273,751 | 0.55% | $647,052,583 | $3,570,338 | $113,314 | $3,457,024 |
| * 1992 Base Period Demand (less 1996 H/R factor) | | | | | | | | | | | | |
| | Fixed | Fixed Factor | Per Mile | Per Mile Factor | | | | | | | | |
| Tandem | 8,478,079,331 | 59% | 194,515,447,641 | 70% | | | | | | | | |
| Host/Remote | 5,925,585,431 | 41% | 82,349,077,894 | 30% | | | | | | | | |
| Total | 14,403,664,762 | 100% | 276,864,525,535 | 100% | | | | | | | | |

** Per Designation Order & Investigation (CC Docket No. 97-250)

| | | (A) | (B) | (C)=(B)-(A) | (D) | (E)=(C)x(D) | (F) | (G)=(E)/(F) | (H) | (I)=(G)x(H) | (J) | (K)=(I)-(J) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Exogenous | TIC Revenue | % TIC Exog. | TIC Revenue | FCC Exog. | 1/1/98 Exog. | Incremental |
| | | LTR Filing | Revised | Delta | Demand* | in TIC | in LTR Filing | using 9000 | 6/30/97 | Calculation | TIC Reduction | Exogenous ** |
| acility Capacity | | | | | | | | | | | | |
| | DS0 MOU/Month | 9,000 | **5,820** | | | | | | | | | |
| =Ax24 | DS1 MOU/Month | 216,000 | **139,680** | | | | | | | | | |
| =Ax672 | DS3 MOU/Month | 6,048,000 | **3,911,040** | | | | | | | | | |
| istribution of Interoffice Facilities | | | | | | | | | | | | |
| | % Fiber | 71.0% | 71.0% | | | | | | | | | |
| | % Copper | 29.0% | 29.0% | | | | | | | | | |
| ixed Rate Development | | | | | | | | | | | | |
| F | DS3 CM Fixed | $854.34 | $854.34 | | | | | | | | | |
| G | DS3/1 Mux | $517.53 | $517.53 | | | | | | | | | |
| H=F+G | DS3 Total | $1,371.87 | $1,371.87 | | | | | | | | | |
| I | DS1 CM Fixed | $49.89 | $49.89 | | | | | | | | | |
| J=H/CxD+I/BxE | Weighted Fixed Rate | $0.000228 | **$0.000353** | $0.000125 | 7,304,239,783 | $910,068 | | | | | $2,343,691 | |
| Variable Rate Development | | | | | | | | | | | | |
| K | DS3 CM Variable | $208.39 | $208.39 | | | | | | | | | |
| L | DS1 CM Variable | $21.06 | $21.06 | | | | | | | | | |
| M=K/CxD+L/BxE | Weighted Variable Rate | $0.000053 | **$0.000082** | $0.000029 | 83,952,607,481 | $2,419,181 | | | | | $4,672,973 | |
| Total | | | | | | $3,329,249 | $351,222,542 | 0.95% | $399,813,398 | $3,789,843 | $7,016,664 | ($3,226,821) |

* 1992 Base Period Demand (less 1996 H/R factor)

| | Fixed | Fixed Factor | Per Mile | Per Mile Factor |
|---|---|---|---|---|
| Tandem | 12,787,420,918 | 73% | 255,895,797,484 | 82% |
| Host/Remote | 4,757,910,103 | 27% | 55,693,665,778 | 18% |
| Total | 17,545,331,021 | 100% | 311,589,463,262 | 100% |

** Per Designation Order & Investigation (CC Docket No. 97-250)

## CERTIFICATE OF SERVICE

I hereby certify that on this 23rd day of March, 1998 a copy of the foregoing "Rebuttal to Comments on Bell Atlantic Direct Case" was sent by first class mail, postage prepaid, to the parties on the attached list.

Tracey M. DeVaux

Tracey M. DeVaux

* Via hand delivery.